

INTEGRATED RISK MANAGEMENT MODEL UPDATE

EXECUTIVE SUMMARY

The purpose of this report is to provide Audit Committee with an update on the management practices and processes related to The City's Integrated Risk Management model.

ADMINISTRATION RECOMMENDATION

That the Audit Committee recommends that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

In accordance with the Audit Committee Terms of Reference, the Audit Committee assists Council in its oversight responsibilities of The City's Integrated Risk Management (IRM) system by receiving annual updates on the management practices and processes related to The City's IRM model.

BACKGROUND

The development of The City's IRM program dates back to 2002 when a request was made by Council to the City Manager of the era to ensure that Council was better informed of the risks related to recommendations that Administration brought forward to Council and Committees of Council. In response to this request, a policy and program intended primarily to enhance the identification, consideration, and communication of risks related to the achievement of desired objectives was developed.

Council approved the IRM Policy (CC011) in 2004. The principles of The City's IRM Policy state that risk management is an essential component of good management. According to the policy:

- Better decisions are made when supported by a systematic approach to risk management;
- Risk management should be integrated into existing long term strategic and business planning as well as informed decision-making in the day-to-day management of activities;
- Risk management is consistently applied to the development and implementation of policy, programs, plans and future directions of The City; and
- The integration of risk management at The City must be supported by a corporate philosophy and culture that encourages the proactive management and open communication about risk.

The City Auditor recently presented the IRM Audit report to Council (AC2014-0295). The objectives of this audit were to independently validate the maturity self-assessment of IRM conducted by the City Manager's Office (CMO) and assess how effectively IRM meets the needs of the organization. The results of the Audit indicated that current IRM practices generally met the principles of the IRM Policy adopted by Council in 2004, and supported the CMO self-assessed level of maturity of IRM for The City as "low-enhanced". This level is described by the CSA to be where activities and techniques are employed for enhanced stakeholder confidence that strategic, operational, and project management risks are being managed proactively, and that integration of risk management activities is occurring across

INTEGRATED RISK MANAGEMENT MODEL UPDATE

the organization. Further, this level of maturity is considered by Administration to generally meet the purpose and principles of Council's IRM policy.

Four recommendations for improving the IRM were identified in the IRM Audit. These are summarized as follows:

1. In order to broaden the communication and access by risk owners and internal stakeholders to principal corporate risks identified by ALT, the CMO should formalize IRM guidelines to include the mechanics of providing this information on a regular basis.
2. The CMO should establish an enhanced process for risk owners to provide more frequent and comprehensive reporting on the status of principal corporate risk and risk management strategies. The CMO should update IRM guidelines to include procedures for risk owners to report risk management information to the ALT on a more regular basis for monitoring and guidance purposes.
3. To enhance risk identification and assessment, and to better integrate risk management across the organization, the CMO should develop strategies, such as the creation of a periodic forum to engage all departments in cross-departmental discussions of Departmental Risk Registers.
4. The CMO should clarify and articulate the IRM program goals and establish reasonable performance indicators or measures for the program.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City Manager is responsible for ensuring that Administration is in compliance with Council's IRM Policy. To advance compliance, Administration has developed a system that promotes and supports a proactive, integrated and corporate-wide approach to consider, communicate, and guide the management of uncertainty related to the achievement of strategic objectives. The components of this system form The City's IRM model.

The City's IRM model has been designed to establish an effective approach for considering risk in a local government application. As a guide for the design of The City's IRM model, Administration has adopted the Canadian Standards Association (CSA) standards for risk management. The CSA CAN / CSA-ISO 31000 risk management guideline is a generic national standard that provides principles and practices for developing and maintaining a risk management system within an organization.

The components of the IRM model are structured around the framework for managing risk that was also approved by Council in 2004 (Attachment 1). The framework is a seven step process to guide the identification, assessment and communication of risk. The IRM model also includes four cornerstone components and activities that are intended to further advance risk management activities across the organization, and to guide a process of ensuring the program continues to add value.

As a basis for preparing an update on The City's IRM model, Administration has adapted the Canadian Institute of Chartered Accountants (CICA) guide on questions that directors should

INTEGRATED RISK MANAGEMENT MODEL UPDATE

ask about risk. The CICA questions are not intended to be a precise checklist, but rather provide insights into the management practices and processes that are being used by Administration to comply with Council's IRM Policy. Administration has also provided throughout these questions further comment on the actions and strategies for recommended improvements that were identified in the recent IRM Audit (Attachment 2).

Stakeholder Engagement, Research and Communication

Administration is continuously looking for opportunities to advance the proactive use of risk related information to address risks that may impact or contribute to The City of Calgary's ability to achieve its objectives. Although there is no one best model of risk management for governmental organizations, Administration regularly checks the performance of The City's IRM model against leading practices both in the public and the private sector organizations to ensure that The City's IRM model continues to achieve the principles of the IRM Policy.

Strategic Alignment

The IRM model is not intended to prescribe a management system, but rather to assist the organization to integrate risk management into its overall strategic management approach. To this end, IRM has been incorporated into the processes for monitoring and reporting on the progress of the 2012 - 2014 Business Plans and Budgets, and into the processes for developing the 2015 - 2018 Action Plan.

Social, Environmental, Economic (External)

No implications related to this report have been identified.

Financial Capacity

Current and Future Operating Budget:

Activities related to the IRM model are within approved budgets and programs.

Current and Future Capital Budget:

None related to this report.

Risk Assessment

The IRM model used by Administration is not meant to eliminate all risks to the achievement of Corporate objectives. Rather, the IRM model provides an approach for Council and Administration to identify, consider and communicate about risks related to the achievement of objectives.

REASON(S) FOR RECOMMENDATION:

Recommending that Council receives this report for information aligns with the Audit Committee's oversight role of monitoring the management of The City's IRM model.

ATTACHMENT(S)

1. Corporate Integrated Risk Management Model
2. IRM Model Update